ECA/PHSD/PAM/92/3(GG)

Development Management Workshops
No. 1

UNITED NATIONS
ECONOMIC COMMISSION FOR AFRICA
PUBLIC ADMINISTRATION, HUMAN RESOURCES
AND SOCIAL DEVELOPMENT DIVISION

REPORT OF A REGIONAL TAXATION WORKSHOP ON IMPROVEMENT IN TAX ADMINISTRATION

Organized in Collaboration with the
Association of African Tax Administrators (AATA)

(Yaounde, Cameroon, 15 - 19 June 1992)

June 1992

Development Management Workshops
No. 1

ECA/PHSD/PAM/92/3/[6(2)]

UNITED NATIONS
ECONOMIC COMMISSION FOR AFRICA
PUBLIC ADMINISTRATION, HUMAN RESOURCES
AND SOCIAL DEVELOPMENT DIVISION

REPORT OF A REGIONAL TAXATION WORKSHOP ON IMPROVEMENT IN TAX ADMINISTRATION

Organized in Collaboration with the Association of African Tax Administrators (AATA)

(Yaounde, Cameroon, 15 - 19 June 1992)

June 1992

TABLE OF CONTENTS

			Page
Part I.	Background and Introduction		1 - 4
	1.1 Organization, Venue and Attendance		
	1.2 Objectives of the Workshop		
	1.3 Official Opening of the Workshop		
Part II.	Account of the Proceedings of the Workshop		5 - 31
	2.1 Methodology		
	2.2 Theme I	Review of the Impact of Structural Adjustment Programmes on Fiscal Policies in Selected African Countries	
	2.3 Theme II	The Effects of the Economic Crisis on Tax Administrations in African 0Countries	
Part III.	Official Closure of the Workshop		32 - 34
Annex I			
Annex II			

I. BACKGROUND AND INTRODUCTION

Organization, Venue and Attendance

1. The Public Administration, Human Resources and Social Development division of the Economic Commission for Africa (ECA) organized, in collaboration with the Association of African Tax Administrators (AATA), a regional taxation workshop for senior African tax administrators on the improvement in tax administration. The workshop was held in Yaounde (Cameroon) from 15 to 19 June 1992. In attendance were senior tax officials representing the following countries: Burkina Faso, Cameroon, Egypt, Ethiopia, Gabon, Kenya, Mali, Nigeria, Togo, Zambia and Zimbabwe. With the exception of Kenya and Zimbabwe, which attended as observers, all the countries represented were full members of the Association. Also in attendance, were individual observers from the University of Yaounde. There was a large number of local tax officials which reflected the current decentralized nature of the establishment of the tax administration in the host country (Cameroon). In all, there were 54 participants. Annex I shows the list of the participants.

2. The organization of the regional taxation workshop was occasioned by the ever growing need for African tax administrators to mobilize more domestic financial resources needed to support national programmes for economic recovery and transformation. There is now, more than ever before, a growing need for enhanced participatory role of African tax administrators in the design, implementation and monitoring of the taxation policies, systems and tax administrations in particular, and also to contribute to the improvement of the management of African economies, in general. African governments continue to face the dichotomy between worsening economic situation and soaring budgetary demands. In recognition of this paradox, there is a strongly felt need to plug any financial leakages in order to increase domestic resource mobilization to meet the budgetary expansion.

Objective of the Workshop

3. The primary objective of the workshop was to provide a forum for the African tax administrators to gather and share views and work experiences on how best to improve the performance capacities of African tax systems both at national and regional levels. The focus was particularly to examine tax measures that ought to be taken in response to the current worsening economic situation in Africa and to produce ideas for improvement.

Topics Discussed

4. The following topics were discussed:

- Review of the Impact of Structural Adjustment Programmes on Fiscal Policies in Selected African Countries.
- The Effects of the Economic Crisis on Tax Administrations in African Countries.

Official Opening of the Workshop

5. The workshop was officially opened in the morning of 15 June 1992, by the Honourable Minister of Finance, Mr. Justin Ndioro. In his opening speech, the Hon. Minister welcomed the participants to Cameroon on behalf of the Cameroonian Government and expressed his gratitude to the United Nations Economic Commission for Africa (UNECA) for its assistance in organizing the regional taxation workshop in collaboration with the Association of African Tax Administrators (AATA). The Hon. Minister pointed out that the timing of the taxation workshop and the themes chosen for discussion were more than appropriate in the wake of the current difficult economic situation in which Africa has found itself.

6. He further pointed out that for slightly over a decade, Africa had been going through an unprecedented economic crisis during which period, attendant fiscal measures had been undertaken within the framework of structural adjustments in efforts to achieve economic revival. Those efforts required to be pursued and reinforced. Indeed in that light, he was delighted to note, from the themes included in the agenda, that the search for solutions to Africa's crisis was at the very heart of the preoccupations of the participants. Tax revenues were needed to provide the state with the indispensable financial resources necessary to fulfil its sovereign obligations and to carry out its economic and social missions.

7. In conclusion, the Hon. Minister wished the participants successful deliberations and expressed the hope that the proceedings would take place in an atmosphere of serenity, friendship and fraternity so as to facilitate profound reflection on the solutions commended in Africa's battle against the economic crisis.

8. On the same occasion, Mr. P.J. Bassi, of the Public Administration, Human Resources and Social Development Division of the Economic Commission for Africa (ECA), read a statement on behalf of the United Nations Assistant Secretary-General and Acting Executive Secretary of ECA, Mr. Issa B.Y. Diallo and the Association of African Tax Administrators (AATA). The statement conveyed the profound appreciation and gratitude of the Acting Executive Secretary to the Government of Cameroon for cordially hosting the joint ECA/AATA regional taxation workshop.

9. Noting that, in addition to hosting the joint ECA/AATA regional taxation workshop, the Government of Cameroon was, at the same time, hosting the Sixth General Assembly meeting of the Association of African Tax Administrators (AATA). The statement pointed out that the combined offers illustrated, beyond doubt, the Cameroonian Government's dedication to, and unflinching support of, the goals and

ideals of the Association on the one hand, and the aims and ideals for which the ECA stood for on the other hand.

10. The statement also placed on record the heartfelt gratitude of the Acting Executive Secretary to all the governments of the member States of the Association for their dedicated commitment to the goals of the Association as was evidenced by their continued and uninterrupted membership of the Association, even against financial odds. He expressed his sincere hope that such a gesture of solidarity would serve as an attraction to other ECA member States to consider joining the Association.

11. The statement reiterated the aim of the Association as being "to promote co-operation in the areas of taxation policy, legislation and administration." It noted further that there was then the need, more than ever before, to respond to the ever growing pressures on African governments to improve the management of their economies in the face of the emerging development challenges and Africa's worsening economic crisis which was being aggravated, in part, by the ineffective mobilization of domestic financial resources. Indeed, the economic crisis in Africa underlined the importance of fiscal measures for counteracting the harsh burdens of the crisis and for fostering growth and development.

12. In conclusion, the statement expressed the hope that the participants would avail themselves the maximum use of the opportunities offered by the occasion and wished them a good environment for free and uninhibited exchange of views and successful and result-prone deliberations.

II. ACCOUNT OF THE PROCEEDINGS OF THE WORKSHOP

Methodology

13. Country papers on "The Impact of the Economic Crisis on Tax Administrations in African Countries" were presented by the participants on subregional basis. One substantive paper was selected for presentation from each subregion. The subregions were the Southern and Eastern subregion, the Central African subregion, West African subregion and the North African subregion. The selection of the substantive country papers, on subregional basis, was in recognition of the commonalities or similarities of the characteristics of the taxation problems within each given subregion.

14. The countries whose papers were selected for presentation were Zambia, for the Eastern and Southern subregion, Cameroon for the Central African subregion, Nigeria for the West African subregion and Egypt for the North African subregion. However, the discussion of the other country papers was not restricted by the subregional selection of the papers. Delegates from those other countries, which had prepared the papers, were given the opportunity to reflect unrestrictedly on the experiences of their respective countries. In other words, they contributed to the panel discussions by raising the salient issues in the subregion which, otherwise, were not fully dealt with in the papers selected for presentations. Those countries which, too, prepared papers were, Kenya, Mali and Zimbabwe.

15. Though Mr. Chipumbu from Zambia, presided over the workshop in his capacity as new Chairman of AATA, for its entire duration, the presentations of the subregional papers and the subsequent panel discussions on each presentation were presided over by the sub-chairpersons. In this regard, the Cameroon presentation was presided over by Ms. Soumare Nee Cisse Niania, delegate from Mali; the Zambia and Egypt presentations were presided over by Mr. L.O.G. Anyanwu, delegate from Nigeria, and

the Nigeria presentation was presided over by Mr. J. Thairu Ngugi, delegate from Kenya. At the end of the workshop sessions, those chairpersons were constituted into a panel to preside over the summary proceedings of the workshop.

Theme I: Review of the Impact of Structural Adjustment Programmes on Fiscal Policies in Selected African Countries.

16. Mr. J.M.B. Simelane of ECA presented the paper on the above-mentioned theme. The primary objective of the paper was not to assess the successes and failures of structural adjustment programmes but rather, to reflect on the raison d'etrê of the structural adjustment programmes (SAPs) and to examine their effects on the fiscal policies, in other words, to assess the reconciliatory implications of the aims of the structural adjustment programmes with those of the fiscal regime. Basically, therefore, the theme focused more attention on the fiscal situation prior to the emergence of the structural adjustment era and fiscal changes during the structural adjustment period.

17. To address these issues, the paper highlighted the economic situation prior to the advent of the structural adjustments. (i.e. the economic disequilibria which gave rise to the concept of structural adjustments). As regards the fiscal response measures undertaken under the SAPs, that part of the theme tallied up with the gist of theme II namely "The Effects of the Economic Crisis on Tax Administrations in African Countries".

Summary of Presentation

18. In summary, the paper highlighted the following:-

- The origin of the tax systems of African countries was not based on sound and concrete principles of taxation. Instead, the African tax systems stemmed from

the accretion of ad hoc measures responding to pressures for revenue requirements to meet expenditure demands and, in certain cases, responding to particular external interest groups.

- Within the framework of the post independence development plans, fiscal measures, as instruments to improve the economy, gained prominence. However, the main areas of focus were on unemployment, the promotion of social welfare of the people and social expenditure. The development of the tax legislations, (which were the origin of the tax systems) largely responded to those factors. Those social welfare oriented-measures, in fact, accounted for the tax exemptions-intensive nature of the tax systems of African countries.

- On the economic front, fiscal measures remained relatively inactive over time. There were reasons for that. For example, as regards trade stabilization, there were no problems. African countries depended largely on boom revenues from the commodities that commanded high levels of demand in the world market. As regards stimulating agricultural production or base, there was not much need to formulate tax policies that would encourage the diversification of production or commercialization of the activities in that sector because there was low domestic aggregate demand due to low levels of consumer income.

- The revenue boom of the 1970s led to budgetary blunders and disproportionate increases in expenditures which, more often than not, were unproductive expenditures. The expectations from the boom revenues led to the neglect of the domestic tax base by most African governments. The consequence was the development of tax structures characterized by narrow tax bases with low revenue potentials.

- A further scenario that contributed to the narrow domestic tax base was the state intervention in the economic activities in those countries. The proliferation of state-owned organizations was not without adverse fiscal implications. Those organizations enjoyed enormous tax exemptions and other privileges. This favourable tax treatment invariably led to the erosion of the tax base. Further, the state intervention empowered the governments to interfere with the free market mechanism. On the expenditure side, the state-owned organizations inflated the budget. For example, huge sums of money were being syphoned from the treasury to finance the public enterprises which, on the contrary, were not economically performing well. The state subsidization-oriented programmes, on the whole, negated the ideals for the development of sound tax systems.

- The shrinkage of the boom revenues following the fall in the world market prices of the then boom commodities, coupled with steady declines in the flow of external capital into Africa, in the face of increasing demands for public expenditures, resulted to huge deficits and the African economies were thus thrown into turmoil. Those economic disequilibria thus led to the need to search for new measures to respond to the emerging economic crisis. Hence the development of the concept of structural adjustments.

- The fiscal stance under the new economic order for recovery and transformation shifted away from traditional social welfare-oriented fiscal measures to economic liberalization and stabilization-oriented measures. That shift witnessed the neglect of the social dimension which neglect, led to increased social costs to the poor without corresponding increases in income levels. These social welfare-oriented challenges then, pressurized African governments to explore new fiscal strategies to respond to the emerging economic crisis situation and to ensure across-the-board social equity.

- Lessons of experience from the African countries which had adjustment programmes was that the programmes often created labour redundancies at a faster rate than the retrenched labour force could be re-absorbed or re-adopted into productive employment within the economy. In emphasizing "cost-recovery measures", the structural adjustment programmes compelled rationalization of services while at the same time increasing their costs. In that way, the people were disadvantaged or made worse off and a situation emerged whereby structural adjustment programmes came to be regarded as perpetuating social disparities in African countries.

- The measures that had been undertaken under the adjustment programmes did not adequately address the core issue of how to sustain economic growth whilst reducing poverty, as well as how to match the needs of the people with the capacities of the African economies. These were central issues in the search for measures to adequately respond to the crisis situation on all fronts be they social, cultural, economic, political etc. In that regard, the paper cited the Khartoum Declaration which reads as follows:

"These programmes are incomplete because they are often implemented as if fiscal, trade and price balances are ends in themselves, and are virtually complete sets of means to production increases. Human condition imbalances, as related to employment, incomes, nutrition, health and education, do not receive equal priority in attention to macro-economic imbalances. They are too mechanistic being inadequately grounded in, or sensitive to specific national economic, human and cultural realities... (and) they are in too short a time perspective. Africa cannot wait for the attainment of external equilibrium and fiscal balance before seeking to improve the human condition, nor can long-term human investment to strengthen the institutional, scientific technical and

productive capacity operating in environmental balance be postponed.1/

- The liberalization of the economy, flexibility in price control, privatization etc. as some of the commended positive measures under adjustment programmes, should take into account the legal texts which used to govern marketing and pricing policies in the pre-recovery period. There should be a review of those pre-recovery period market-oriented legislations. The non-reviewal of such legislations could create confusion in the implementation of the recovery programmes.

- In conclusion the paper sounded a note of caution that countries that adopted the adjustment programmes which were largely advocated and financially supported by the IMF and the World Bank through structural adjustment loans (SALs), should guard against any aspects of the programmes that might give rise to further disadvantages to the poor.

19. In the panel discussion that followed, the participants made the following observations:-

- Mr. Chipumbu of Zambia who also chaired the presentation of the paper, expressed the view that in substance, the paper was comprehensive and that it could serve as a reference document throughout the deliberations of the workshop

---

1/ United nations Economic Commission for Africa: The Khartoum Declaration: International Conference on Human Dimension of Africa's Economic Recovery and Development, Khartoum, Sudan, 5-8 March 1988, p.47.

- The quality of choice of appropriate tax policies in African countries was generally low. As a consequence, there still existed wide-ranging inequalities in tax treatment among taxpayers in similar economic circumstances. Inappropriateness of tax policy choices coupled with the use of political power by certain personalities to defer payment of taxes, created a paradox whereby people who should pay taxes did not pay or paid less taxes and people who should not pay tax were, indeed, squeezed up in taxes.
- Stronger and more effective tax measures and collection enforcement techniques required to be put in place. In this respect, the need for stronger political will to support the tax administrations should be emphasized.

- The linkage or collation between tax codes which granted huge exemptions and the promotion of investments was not clearly determinable. The tax reliefs purporting to promote investments ought to be viewed in a more serious light lest they would be viewed as "gifts" to the investors.

- There was need for greater emphasis on efficient management of government expenditures. Wasteful government expenditures discouraged taxpayer compliance and encouraged public sector inefficiencies.

- Liberalization measures involving privatization, de-subsidization, flexibility in pricing policies as well as measures to discourage underground economy, particularly where it acquired ruinously high proportions, required to be encouraged.

- African countries should desist from the pursuit of policies of 'appeasement" at the neglect of real issues. For example, the pursuit of inadequate tools, like currency devaluation, without due regard to the inherent structures of African

economies might not serve the purpose. The balance of payment support did not necessarily rescue Africa from the mire of economic malaise.

- For the success of structural adjustment programmes, a distinction ought to be drawn between quantitative adjustment programmes and the qualitative ones. Only the latter led to the accomplishment of the desired result, namely, economic recovery. Delegate from Togo strongly shared in that view.

Theme II The Effects of the Economic Crisis on Tax Administrations in African Countries

20. The paradox of economic downturn, increasing levels of poverty, soaring demands for government expenditures, decline in the inflow of external capital and the ever increasing demands for revenue - in short, the emerging conflict between economic collapse and expanding revenue requirements constituted the new fundamental challenge facing African governments. The objective of the above theme was, therefore, to address this central issue and to explore appropriate fiscal measures that could be adopted to bring about positive responses to the revenue crisis, and poverty alleviation.

Summary of Presentations

Central African Subregion

21. The host country, Cameroon, presented the substantive paper reflecting Cameroon's experience, and the presentation was supplemented by contributions from the participants in that subregion during the panel discussion that followed.

In summary, the paper highlighted the Cameroon experience as follows:

- The economic crisis that had affected African countries for a decade had been sharply felt in Cameroon ever since the 1985/1986 financial year. At the beginning of the 1980s, Cameroon's economy recorded sustained growth owing, generally, to the good prices paid for its main export crops and to a special fillip from the oil sector. During the same period, Cameroon recorded a high growth rate estimated at 8% per year in real terms as well as a comfortable economic performance based on annual growth rates which stood at 7% for investments, 16% for exports and 3% for consumption. Those rates were among the highest. That tremendous growth enabled Cameroon to carry out major development projects and to make significant efforts to improve the people's well-being. Within that context, the taxation system in force, was harmoniously applied to economic activities and revenue generation.

- As from 1985/1986, world economic upheavals, due to the slump in world prices of the major export products such as oil, coffee, cocoa, cotton, had led to a drastic drop in national financial resources. That caused serious economic imbalances which resulted in a 14% drop in the GNP in 1986/1987. The overall loss incurred from 1985/1986 to 1989/1990 was estimated at CFA francs 924,000 million. That loss was accompanied by the worsening terms of trade which affected the import/export balance of goods and services, thereby exerting an adverse impact on the State revenue.

- Against that background, the Government undertook, as from the 1987/1988 financial year, reforms to reduce the State's lifestyle. At its request, the International Financial Community came in to support the reforms. A confirmation agreement was thus concluded with the International Monetary Fund in September 1988, and that was followed by the rescheduling of its external debts by the Paris Club. A structural adjustment programme, supported by the World Bank and the African Development Bank, was also adopted. A

second confirmation agreement was in the process of being signed with the IMF, following its approval of Cameroon's letter of intent.

- It was, however, emphasized that the structural adjustment programmes in Cameroon, though supported by the IMF and the African Development Bank (ADB), were originally undertaken at the initiative of the Cameroonian Government. They were not externally imposed.

- The aspects of the adjustment programmes on which emphasis was laid were the streamlining of public finances, rehabilitation of public enterprises and revamping of economic activities. The effective implementation of those reform instruments required the design of an appropriate tax system that combined budgetary measures and the tax incentive schemes towards economic recovery. It was noted, however, that, that combination was not without contradictions and that its success required restructuring the tax administration.

- The need to strengthen the tax administration was in line with the government policy approach, namely; "not to change the taxation system or the structure of the existing taxes, or to create new taxes which could further worsen the then already tense situation, but, rather, to effect changes that were designed to increase non-petroleum revenues through intensification of their collection and combating tax evasion and fraud."

- The areas focused upon for increasing revenue from non-petroleum sources included identifying delinquent taxpayers who had disappeared; reducing tax exemptions relating to real estates; expansion of the taxation of gains from the casinos; and taxation of land as a foundation for adequate taxation of real estates.

22. Collection techniques employed included:

- Intensification of comprehensive business licenses
- Purchase tax - basically that tax was meant to catch delinquent taxpayers hiding in the informal sector and to discourage non-declaration of income.
- 20% deduction on rent - that withholding tax was aimed to catch delinquent landlords. The deduction was in respect of all types of rent (i.e. private buildings, industrial and commercial buildings etc.).
- Simplification of tax legislation - that involved the simplification of the tax laws to be easily understood by the taxpayers.
- Certification of texts - clear interpretation of the tax laws and departmental rulings and the maintenance of up-to-date instruction manuals were emphasized.
- Control or audits - that involved the establishment of verification programmes to conduct on-the-spot checks on taxpayers chosen per sector of activities.

23. There was in existence, a national company-auditing Brigade comprising 30 auditors, and provincial brigades of auditors established according to the tax-paying capacity of each province. A national service control brigade was in overall control of the audit services. It verified, and corrected omissions and errors made by the audit services. That arsenal of measures and the use of those resources effectively prevented and repressed tax fraud and positively improved tax collection.

24. There were also economic recovery incentives whose objective it was to stimulate and encourage economic activities in priority areas like development of natural

resources, production of competitive goods and services for domestic consumption, promotion of exports, transfer of technology, environmental protection and of rural development-oriented activities.

25. There were also measures to encourage new enterprises (i.e. measures to facilitate the repurchase of enterprises facing difficulties and the revision of the system of reinvesting profits). In the main, the enterprises which benefited from those new measures were those which were set up within the stabilization plan and in the industrial, manufacturing, agricultural, forest and mining sectors. Those activities did not pay the minimum turnover tax of 1%. An enterprise facing difficulties was defined as any enterprise that had lost two-thirds of its registered capital and those that bought such enterprises in the industrial, agricultural, forest and mining sectors were granted special tax benefits.

Tax relief on reinvested profits

26. The General Tax Code had new provisions on the reinvestment of profits. The new provisions granted a net gain in tax, through a tax reduction of 50% of the tax due on such part of the declared profit as had been reinvested. Otherwise, prior to that, the treasury did not give such tax rebates in respect of re-investment of profits.

27. The amount to be reinvested should not be lower than five million CFA francs. Furthermore, it was no longer necessary to wait for the authorization of the Minister of Finance before reinvesting. Once the reinvestment had been made, the economic operator deducted that tax, and later requested the Director of Taxes to regularize the situation when the investor declared his income.

28. Recognizing that the success of the new measures undertaken wholly depended on the strength of the tax administration, the Cameroon authorities embanked yet further,

on the reorganization of its tax administration. The major reform in that regard was merging the various tax departments. The Department of Taxation, the Department of Registration and Stamp Duty Trusteeship were merged by the decree of 18 December 1991. The main advantage of that development was to improve management of taxpayers in an exhaustive manner through a single taxpayer identification or location method.

29. In the panel discussion that ensured, the participants made the following observations.

- Tax evasion and fraud continued to present tax collection problems both at the internal and external levels. Internally, the ambiguities in tax legislations permitted intellectual fraud through the manipulation of the vague statutes by tax lawyers and practitioners. There was, therefore, a need for the recruitment of qualified draughtsmen in tax law. Such qualified men were needed to draft the tax laws that were not fraught with ambiguities and loopholes.

- Externally, the international tax conventions which African countries concluded with the advanced countries posed audit problems. For example, in cases involving transnational corporations, it was not possible for auditors of developing countries to follow up audits in countries abroad. Even mere access to information on the corporations' books abroad was not easy. Permission required to be given first by each corporation's country of registration. Those limitations allowed transnational corporations to escape meeting their full and correct charge of their local liabilities. There was a strongly felt need to extend audit functions to the companies abroad. The delegate from Gabon strongly shared in that view.

- There was need to allow free exchange of information between the African countries and those abroad as regard the taxation of the world-wide trading corporations.

- There was further, the need to re-open the doors to re-negotiation of the old international tax conventions to allow African countries to review their stand. The cobweb provisions in the double taxation treaties between the African countries and the advanced countries should be eliminated.

- As regards staff motivation for efficiency and productivity, emphasis was laid on the need for proper human resource management. Clearly defined career structures or prospects required to be provided for in the cadres of tax departments. There was need to establish progression charts stipulating qualifications and work experience requirements for promotions followed by stricter observance of those requirements. In some countries, there existed no such cadres at all. The delegate from Mali, strongly shared in that view.

Eastern and Southern African Subregion

30. The substantive paper from the Eastern and Southern African subregion was presented by Mr. George Chipumbu, new Chairman of the Association. The following is a summary of the paper.

31. In addressing the factors which might have contributed to the economic crisis in Africa, Mr. Chupumbu referred to the discussion he had on 6 September 1990 in the World Net-Dialogue via satellite with a Panel in Washington on the World Development Report discussing Poverty in the Developing World. In that discussion, he had asked Mr. Lynsquire, Staff Director, World Development Report, the following question:

32. "The World Development Report acknowledged that severe inflation crippled the economy and deepened economic crises in several ways. It undermined domestic confidence, reduced investment, provoked capital flight and often led to a misallocation of scarce foreign exchange. It further encouraged Dollarization of the economy, and shrank the tax base. The result was an economy that did not respond to adjustment efforts. What was the World Bank doing in order to ensure that all such countries responded to adjustment efforts in order to attack poverty?"

33. Acknowledging the quality of the question, Mr. Lynsquire had answered as follows: "A study of the incomes of the poor people had been carried out over a very long period of time in the Philippines. What came out of that study was that inflation tended to hurt the poor because they were not able to index their incomes; while devaluation and effective control of fiscal policy tended to help the poor because their consumption patterns were not import-intensive." He agreed that to ensure that countries responded to adjustment efforts, first there was need to stabilise the economy and second to adjust and grow.

34. That answer was warmly welcomed by the questioner because it was in line with his conviction that economic growth in Africa, had remained elusive for too long, a trend, which tended to suggest that the standard structural adjustment programmes required some additional dimension to be introduced in order to ensure that African countries responded to structural adjustment efforts.

35. A further contributor to the economic crisis in Africa, particularly in respect of external debt, was the heavy reliance on the export of raw materials whose prices were unlikely to ever register considerable increases because of the marked improvement in technology in the developed countries which imported those raw materials.

36. Another contributor to the external debt crisis was the inappropriateness in decision-making on external borrowing. The problem was firstly, how to negotiate the loans and secondly, how to invest the money borrowed. A lack of negotiation skills coupled with borrowing money to finance unproductive investment and the undertaking to repay the loans from proceeds of non-traditional exports, were all nothing but the recipe for financial disaster.

37. In that respect, African countries ought to adopt new disciplines in their financial management. They should desist from the tendency "to acquire capitalist habits without developing capitalist discipline." Though the debt crisis was not the main issue for the workshop discussion, it was relevant to address it being a background issue to the revenue crisis.

38. The paper also dealt with the historical development of tax policy. Tax administrations in African countries had been neglected in favour of balance of payment support. The improvement of internal revenue mobilization through design of appropriate tax structures was ignored for a long time. Only the withholding tax system received some attention but, even that system had never been comprehensive enough. A number of income items still remained outside the tax of the withholding tax system in many African countries.

39. Poor attention given to internal tax systems resulted in the development of tax structures that were characterized by excessive tax rates, which resulted in increased tax evasion; inadequate enforcement, which had contributed to the lack of compliance; and Ad hoc developments, followed by ad hoc designs of tax systems destroyed the confidence of the taxpayers in those tax systems.

40. Tax measures adopted under the economic crisis situation were also dealt with by the paper, which observed that Zambia had made concerted moves to effect tax reforms as from April 1992. Those reforms included:

- Reducing the tax bands from 7 to 3 in the case of individual income tax and by providing that the first K50,000 be taxed at 15%, the next K550,000 at 25% and 35% for income of in excess of K100,000.

- Removing primary allowances and replacing them with tax credits to ensure fairness, efficiency and simplicity.

- Bringing all allowances and non-cash fringe benefits into the tax net, in order to broaden the tax base.

- Bringing into effect, the computerization of the operations of the tax in order to strengthen the tax administration.

- Bringing into the tax net all subsidized benefits.

41. For a very long time employees had been dependant on employers for the provision of housing, transport and a host of other benefits. The result was that the dependency culture created a situation where employees did not acquire and develop their own properties so that at retirement, they found themselves destitute.

42. Contributing from that subregion, was the delegate from Kenya who identified the tax measures his government had undertaken to respond to the economic crisis situation. Those included:

- computerisation of revenue administration for ease and timely retrieval of data.

- formulation of personal identification numbers (PIN); which would be initially used by income tax department but with future plans to expand their use to most of legal transactions.
- change in methodology of examination of returns (income tax) such as move towards random sample examination of returns, on-the-spot check of business etc.
- self assessment to enhance timely payment of the tax and to curtail correspondence to and from taxpayers.
- reduction in the number of tariffs in the case of customs and excise duty.
- inculculating managerial skills among tax managers and supervisory cadres.

43. In order to respond to the burdens of cost recovery programmes under adjustment and also as a measure to encourage personal savings, the individual income tax top rate had been reduced in the past 3 years from 65% to 40%. At the same time, to respond to inflationary pressures, the corporation tax rate was reduced from 45% to 37.5% during the corresponding period.

44. Also from that subregion, the delegate from Zimbabwe, relating Zimbabwe's experience, pointed out that the tax base in Zimbabwe was rapidly shrinking because of the following erosive factors;

(i) Decline in the agricultural production.
(ii) Stagnation in property market because of the following:

- Scarcity of foreign exchange to import building materials;
- Prolonged delays in the completion of building projects
- Scarcity of mortgage finances to private individuals to purchase houses or buy plots to build new houses.

(iii) The general decline from the trading profits of operating corporations due to:

- high import duties;
- high interest rates;
- high customs duties;
- increased labour costs; and
- increased number of liquidations.

North African Subregion

45. Egypt presented the substantive paper for the North African subregion in the same session in which Zambia presented the paper for the Eastern and Southern African subregion. The Egyptian paper highlighted, in broad terms, the tax problems as common to all developing African countries. It laid emphasis on the need for African countries to explore global taxation. That approach meant the taxation of income from world-wide sources instead of limiting taxation to the internal sources only. Indeed, in Egypt, studies were already underway on the globalization of the sources of income. Egypt had also undertaken other tax measures to be used as tools to stimulate the economy.

46. In the panel discussion that followed, the participants took note of the new tax measures in the Republic of Zambia with great interest mainly for the following reasons, besides the revenue-raising objective:

- The measures addressed the very long standing fundamental oversight of most African tax systems, namely, the "creation of the dependency syndrome" through allowing unproportionately high fringe benefits and other tax reliefs to the workers which tended to bring about fictitious lifestyles and social values of the workers.

- The measures were instruments to combat mismanagement and other malpractices which were associated with the employer/employee relationships.

- The measures aimed to protect the long-run social interests of the workers through encouraging real investments and, by cashing-out benefits-in-kind, through providing new formulae for the computation of pensions to properly take into account the values of the benefits-in-kind.

47. Population in African countries continued to mount pressure for more revenue to support social demands. The paradox with the population growth was that agewise, the distribution was such that there were more unemployables than employables. For example, in Kenya 60% of the population was under-age. About 20% represented the aged, the incapacitated, small vendors or traders were non-taxable. That left about 20% of the population in employment. That situation markedly contributed to the narrowness of the tax sources and hence the difficulties in raising revenues needed to support social needs of the people. The high rate of unemployment also meant heavy dependency of the unemployed upon the employed. That, coupled with the additional social costs under structural adjustment programmes, made collection of additional taxes from employment very difficult.

48. Demand for goods and services in line with the growth of the population led to heavy subsidies in agriculture. Unfortunately, those subsidies never led to enhanced agricultural productivity. Instead, they led to inefficiencies. In some cases, they merely encouraged "hobby farming" intended mainly to take advantage of the tax allowances to reduce tax payable or to obtain tax refunds. In that respect, there was a need to amend the tax legislation to curb those practices. Delegate from Kenya strongly shared in that view citing Kenya's experience and also the new legislative measures which had already been promulgated in that regard.

49. The structural adjustment programmes resulted in a 'freeze' on staff recruitment. That, coupled with frequent poaching of skilled personnel from tax administrations, created serious staff shortages. The Zimbabwe delegate strongly shared that view.

West African Subregion

50. Mr. L.O.G. Anyanwu, assistant Director of Taxes, Nigeria, presented the substantive paper for the West African subregion. The following is a summary of the presentation.

- Tax administrations were bound to be affected by economic crises since they were not islands unto themselves but, rather, part and parcel of the economic and social environments within which they operated.
- The aims and purposes of tax administrations included the following:
- To collect the proper amount of taxes due by law and accounting for them.
- To advise the responsible minister on tax policies and to implement the policies in those areas when required to do so.
- To provide service to taxpayers.
- To search for new and better ways of doing their work more economically, efficiently and effectively.

51. In order to achieve these aims and objectives, tax administrators would strive to:

- Ensure that people were fairly and equally treated under the law.
- Inform, educate and advise the public of their rights and duties under the law as well as any changes in tax legislations.
- Encourage and promote mutual trust, co-operation and understanding between tax officials on the one hand, and the taxpayers and their agents on the other hand.

- Pursue the collection of taxes which were properly due under the law; that is to say, collect no more and no less than the taxpayer was supposed to pay.
- Deter and detect tax evasion and avoidance as and when they were spotted.
- Set clear objectives, allocate responsibility to staff for achieving them and monitor progress and results.
- Finally, devise policies that would guide the staff towards achieving the objectives and targets mapped out for them.

52. The economic crisis emanated from:

- Poverty, leading to inability to feed and provide for the welfare of the citizenry.
- Inability to manage resources economically and efficiently.
- Unbridled consumption of foreign goods which had to be paid for in hard currency.
- Unemployment, primitivity and bad work attitudes.
- Crushing foreign debts.
- Lack of infrastructure and industrial capacity to generate both capital and consumer goods.
- Absence of technological know-how which was very essential for any meaningful progress in all spheres of human endeavour etc.

53. To redress the economic crises, the Nigerian Government embarked on the following structural adjustment programmes:

- Introduction of a two tier foreign exchange system.
- Promotion of export trade in the non-oil sector so as to reduce heavy dependency on oil income.

- Initiating a programme of privatization of government-owned companies to remove them from the bureaucratic apron of the civil service.
- Abolition of the import licence system which was thought to be the source of corruption creating clogs on the wheel of international trade.
- Lowering the rate of inflation within the economy through adopting a monetary policy that mopped up excess liquidity within the economy.
- Removal of subsidies on petroleum.
- Declaring Agricultural and Rural Development programme a preferred sector.

54. As the structural adjustment fever spread, the government saw the need to review the country's tax system and administration to make it more responsive to the changes which were taking place in the economy. On 9 January, 1991 a ten-man study group was mandated to review the tax system with a view to installing a system which would have the following essential features:

- The system was to be fair and equitable.
- The system was to be free of distortions to investment decisions.
- The system was to encourage a fair allocation of savings between investment opportunities.
- The system was to encourage incentive to work and investment in businesses.
- The system should attract foreign investments or at least avoid capital flight to countries with lower taxes.
- The system should discourage tax evasion and avoidance and the growth of an underground economy.
- The system should reduce complexities for both its administrators and taxpayers.
- The system should encourage compliance.

55. Prior to the setting up of the Study group, administrative and structural changes were put in place in tax policy, system and tax administration. The effect of those

changes was improved revenue collection despite the down-turn in the economy. The reason for the improvement was not far to discern. During the era of the oil boom, revenue came to government like a fluke - a sort of windfall. The implication there was that sufficient or full attention was not paid to company taxes etc. The decline in oil revenue saw a return to these traditional sources of revenue which had been as it were, neglected.

56. Changes were largely effected in the following areas:

- Legislation: New tax legislations were introduced and amendments made on existing tax laws to plug off loopholes and discourage tax evasion as well as to extend the coverage of the withholding tax system to business transactions, including payments for contracts, consultancies, and other professional and technical services.

- Assessment programme: A self-assessment system was introduced to operate paripassu with the entire government machinery. The new system shifted the responsibility for computing taxable income from the tax department to taxpayers.

- Information and Taxpayer education: The enlightment programme was revamped to stimulate compliance. The tax authority adopted persuasive approaches rather than coercive ones in reaching taxpayers so as to avoid unnecessary disputes.

- Use of Tax Clearance certificate: The use of tax clearance certificate was introduced to strengthen tax collection. The certificate was issued by the Inland Revenue to show that a taxpayer had paid taxes due for the past three assessment years. The presentation of the certificate was, thus, a sine qua non for

permission to transact business with government and its agencies as well as the organised private sector

- Computerization: Efforts were being made, through the assistance of the World Bank, to introduce computer systems in order to cope with increased work load and the logistics of dealing with area offices located in almost all the states of the Federation.

57. Finally, the paper made the following suggestions for strengthening tax administration.

- To provide adequate training facilities in order to equip the tax administrations with the requisite knowledge and skills necessary for efficient performance of their duties.

- To adopt a flexible taxation system that could respond to changes in the society without undue delays. Unnecessary bottlenecks ought to be avoided if the government were not to be robbed of revenue that should have been collected.

- Establishment of a department for sound planning, research and statistics as an integral part of the tax administration.

- Modernization of the revenue offices to meet the functional demands of tax administration.

- Encouraging inter-country exchange of information and tax personnel.

- Maintaining good image of the tax administration through providing fair and adequate services and maintaining good attitudes towards the taxpaying public.

58. In the panel discussion that followed the participants observed that:

- The countries neighbouring Nigeria experienced growing problems of border smuggling, particularly of petrol. The smuggling posed tax collection problems especially as regards purchase taxes since the individuals involved were difficult to trace being mostly unregistered and illegal traders. The volume of underground economic activities posed challenges which the tax authorities could no longer afford to ignore.

- Concerns for the underground or informal economy were inevitable once such activities acquired ruinous proportions.

- There was growing need to improve taxpayer Information Services through using all possible means including radios, television, videos, handouts, campaign slogans (i.e. stickers on car doors, public places, lifts etc to work on taxpayers' psychology for purposes of encouraging compliance).

- For tax reforms to be meaningful and responsive to dynamic changes in societies, they should be open to public criticism. In that light, a strong need was felt for taxpayer awareness of the rights and obligations both legally and politically.

59. At the end of the workshop a group of panellists, made up of the sub-chairmen and chairperson, summarized the proceedings and findings of the workshop. In the main, they stressed the importance of the following:

- The need to internalize the economic growth forces through stimulation of economic development and the reduction of dependency on foreign countries.
- Greater discipline in financial management through improved budgetary controls.

- More attention to improving tax administrations to successfully combat tax evasion as that was important to avoid excessive tax rates.
- More research studies on how to prevent tax erosion or shrinkage in order to broaden the tax base.
- The need to bring tax services to the taxpayers.
- The intensification of the use of computers and other technological tools necessary for efficient tax administration.

III. OFFICIAL CLOSURE OF THE WORKSHOP

60. The regional taxation workshop was officially closed on 19 June 1992 by the Hon.Minister of Finance, Mr. Justin Ndioro. In attendance at the closing ceremony, were the senior secretaries of State Finance, Messrs. Ephraim Inoni, First Secretary and Tsinmi Antoine, Second Secretary as well as other government officials. In his closing remarks, the Hon. Minister congratulated the participants on their successful deliberations and fruitful exchange of work experiences. He indicated that he was particularly impressed by the high quality of the discussions and the results achieved within so short a time, and expressed the hope that the outcome of the workshop would benefit AATA member States.

61. Turning to the administrative matters of the association, the Hon. Minister pointed out that the association had successfully negotiated a decisive point in its history by establishing its new headquarters in Yaounde. He pledged the support of the government of Cameroon to the new office of the Association and conveyed the profound appreciation of the government of Cameroon to the respective governments of AATA member states for the honour bestowed upon their son, Mr. P Owona Pascal-Baylon who was unanimously elected the first Secretary-General of the Association to succeed the interim Executive Secretary Mr. Paul Bassi of ECA.

62. The Hon. Minister, also congratulated Mr. George Chipumbu of Zambia for having been unanimously elected as the new chairman of AATA for the next biennium of the Association. He further congratulated the new members of the sub-regional committees who also would serve for a period of two years.

63. In conclusion, the Hon. Minister wished the participants a safe journey to their respective countries.

64. On the same occasion, Mr. George Chipumbu, delegate from the Republic of Zambia who was elected as Chairman of the Association of African Tax Administrators (AATA) for the period June 1992-June 1994 and who also presided over the proceedings of the workshop, addressed the closing session of the workshop. Referring first to the administrative matters of the Association, Mr. Chipumbu paid tribute to the outgoing Chairman of the Association, Mr. Legesse Tessema, delegate from Ethiopia, for successfully discharging of his duties during his tenure of office from March 1990.

65. He further pointed out that, inspite of the difficult conditions stemming mainly from poor financial contributions from the member States of the Association, the office of the outgoing Chairman performed successfully. Mr. Chipumbu, noting the challenges that laid ahead of his new office declared his determination to face them. In particular, he said he would ensure that all arrear contributions were collected and that regular payments of the assessed contributions were prompt and that with the new office of the Association, the activities of the Association would be better conducted.

66. Turning to the proceedings of the regional taxation workshop, Mr. Chipumbu thanked the participants for their active deliberations at the workshop. He noted that the participants' deliberations were characterized by reputable sense of maturity of reason and a quest for concrete resolutions on what appropriate fiscal measures could be commendable in response to the revenue crisis in the wake of Africa's general economic disequilibrium.

67. Also on the same occasion, Mr. Koumba Alphonse, delegate of Gabon, passed a vote of thanks on behalf of the participants. He thanked the government of Cameroon for the splendid hospitality they so cordially extended to the delegates. He also thanked the entire staff of the taxation agencies in Cameroon for their cooperation in making the workshop a success. He expressed the hope that the deliberations of the workshop would benefit the respective countries that were represented at the workshop. Lastly,

he thanked the Economic Commission for Africa (ECA) for providing the resource persons, Messrs P.J. Bassi and J.M.B. Simelane whose services were greatly appreciated.

ANNEX I
LIST OF PARTICIPANTS

COUNTRY	NAME OF CHIEF DELEGATES	TITLE	ADDRESS
CAMEROON	ZANG OYONO CALVIN	DIRECTEUR DES IMPOTS	DIRECTION DES IMPOTS YAOUNDE (CAMEROON)
"	OWONA PASCAL-BAYLON	DIRECTEUR ADJOINT N.1	"
"	KOUSOK THOMAS	DIRECTEUR ADJOINT N.2	"
"	ZOGO JOSEPH JOEL	SOUS-DIRECTEUR DE LA LEGISLATION FISCALE	"
"	TITTY DIMBENG MARTINE	CHEF DE SERVICE DES RELATIONS INTERNATIONALES	"
"	FOZEIN KWANKE THOMAS	DIPLOMATE	MINISTERE RELATIONS EXTERIEURES
"	AMBASSA NTENDE RICHARD		"
BURKINA FASSO	OUEGRAOGO SIBIRI	DIRECTEUR GENERAL INTERI-MAIRE DES IMPOTS	01 BP 119 OUAGADOUGOU (BURKINA FASO)
EGYPT	ALI MAHMOUD SALEH	CHIEF OF CENTRAL ADMINISTRATION	
	WALI MOHAMED	GEN.DIR.ECON.RESEARCH AND MANAGER TECHNICAL BUREAU TAX DPT	EGYPTIAN TAXATION CAIRO (EGYPT)
ETHIOPIA	LEGESSE TESSEMA	HEAD INLAND REVENUE AUTHORITY	P.O.BOX 3987 ADDIS ABABA ETHIOPIA
GABON	KOUMBA ALPHONSE	INSPECTEUR PRINCIPAL DES IMPOTS	DIRECTION GENERALE DES CONTRIBUTIONS DIRECTES BP 37 LIBRE-VILLE (GABON)
KENYA	J.THAIRU NGUGI	ASSISTANT COMMISSIONER OF TAXES	P.O.BOX 30165 NAIROBI (KENYA)
MALI	SOUMARE NEE CISSE NIANIA	DIRECTRICE DES IMPOTS DU DISTRICT DE BAMAKO	DIRECTION NATIONALE DES IMPOTS BP 776 BAMAKO (MALI)
NIGERIA	L.O.G.ANYANWU	ASSISTANT DIRECTOR OF TAXES	P.O.BOX 1135 SURULERE LAGOS (NIGERIA)
TOGO	KUGBE KODJOVI	DIRECTEUR DE LA LEGISLATION, DU CONTENTIEUX ET DES AFFAIRES FONCIERES ET DOMANIALES	DIRECTION GENERALE DES IMPOTS BP 321 LOME (TOGO)
ZIMBABWE	MISS PHELOMINA NDLOUV	ASSISTANT COMMISSIONER OF TAXES	P.O.BOX 8126 CAUSEWAY, HARARE (ZIMBABWE
ZAMBIA	GEORGE M. CHIPUMBU	COMMISSIONER OF TAXES	P.O.BOX 35710 LUSAKA (ZAMBIA)

LOCAL PARTICIPANTS

Country	Name	Title	Address
CAMEROUN	MOABOULOU PROSPER	Contrôleur des Impôts	Inspection provinciale Impôts Centre de Yaoundé
"	Miss NTANKEU CLAIRE	Inspecteur des Impôts	"
"	AMENGUELLE AKIN SAMUEL	Inspecteur des Impôts	"
"	AOUDI DAVID	Inspecteur des Impôts	Inspection Prov. du Centre
"	NOUKA AMANG	Contractuel d'Administration	Inspection Prov. I. Cent.
"	MENTHONG-ADALBERT	Chef Sce de la coordination	"
"	TOUNA JANVIER	Contrôleur principal des Impôts	"
"	PENANJE PHILIP	Inspecteur des Impôts	"
"	ZANGUIN-PROSPER	Inspecteur des Impôts	D.I.BCS
"	DABET	Inspecteur des Impôts	IPC (IY)
"	GOUNOUE	" "	" "
"	YANGO FIDELIS	" "	" "
"	JOSEPH NEMI-TSALA	" "	Insp. Prov. des Impôts Centre YDE
"	NKOA JOSEPH	" "	Insp.Prov. des Impôts Centre Ydé
"	METANG-AUGUSTIN	Inspecteur des Impôts	
"	OWOUNDI-WLATEOSW	Chef Sce Impôts	D.I
"	KOUN MIENGA	Chef Sce Etudes	D.I
"	Mme GWET-KILEM	Chef d'Inspection	I.P.C.
"	ZEUFACK LOUIS	Inspecteur Vérificateur	Direction des Impôts
"	NGUIDJOL-ANDRE	Inspecteur Vérificateur	" "
"	MANGOUA-HENRI	" "	" "
"	PONTERS	Conseiller technique du Directeur	MCAC BP1616 YDE
"	SOMBGNE-LOGWE	Chef d'inspection IPC Ydé	IPC

"	DJIEKA	Chef d'Inspection Ydé	
"	YANKE-BENJAMIN	Inspecteur des Impôts Chef Sce	Direction des Impôts
"	EKOUTHE JEANNETTE	Insp. Vérificateur des Impôts	" "
"	NDJAGUI EMMANUEL	" "	" "
"	MVOMDO MVENDO JOSEPH	Inspecteur des Impôts	" " Ydé
"	BILONG GUILLAUME	" "	" "
"	PIERRE EDINO	" "	Direction Impôts
"	BEKONO ROGER	Inspecteur des Impôts	" "
"	NIMELLE LAURENT	Cadre au Impôts	" "
"	NDJE-AYEBA	Inspecteur des Impôts	" "
"	NGANDO ERNEST G.	Inspecteur Vérificateur des Impôts	" "
"	DOHNJI PAUL	Inspecteur Contrôleur	" "
"	DR. MOUNBAGA EMMANUEL SEIDOU	Lecturer	University of Yaounde Faculty of Law and Economic Sciences

ANNEX II

ECA LIST OF RESOURCE PERSONS

1. Mr. P.J. Bassi, Chief, Public Administration and Finance

2. Mr. J.M.B. Simelane, Public Administration Officer and Rapporter